

August 2, 2006

Maine Milk Commission Meeting Minutes
Deering Building, Room 233
Augusta, Maine 04333

Commission Present: Chair, Michael Wiers, Katherine O. Musgrave, Colon Durrell, John Joseph Jr. and Shelley Doak *ex-officio*.

Commission Absent: None

Department Officials: None

Staff Present: Stanley Millay, Executive Director, and Carol Gauthier administrative assistant

Legal Counsel: Lucinda White, Assistant Attorney General not present.

Intervenors Present: John Blake, H.P. Hood, Inc.

Others Present: Dale Cole, dairy farmer and President, Galen Larrabee, dairy farmer and board member, Fred Hardy, board member and Julie-Marie Bickford, Executive Director, Maine Dairy Industry Association (MDIA). Also present were Charlotte Bosworth, Chuck Farrand, and Brian Wright, dairy farmers.

Meeting called to order at 10:15 a.m. by chair, Michael Wiers.

The purpose of this meeting was to discuss comments received as a result of a public hearing on Rule 26 Producer Margins that was held on July 21, 2006. Comments received at public hearing and during the following ten-day comment period are set forth below along with a list of testifiers.

Dale Cole, President, Maine Dairy Industry Association (MDIA) and Dairy Farmer Sydney ME	Galen Larrabee Dairy Farmer Knox ME	Julie-Marie Bickford Executive Director Maine Dairy Industry Association (MDIA)
John Palmer Dairy Farmer Highland Farms Cornish ME	Dr. Timothy Dalton University of Maine Orono ME	Michael J. Suever Senior V.P. Procurement HP Hood LLC Chelsea MA

Dr. Timothy Dalton presented the latest costs associated with producing milk in Maine. He stated that the Maine Cost of Production indices rely upon United States Department of Agriculture (USDA) producer price indices for calculation. The most recent final indices are for May 2006. He indicated that final indices for June would likely be published in late July within the ten-day comment period following this hearing. He went on to testify that based on the final May indices, the short-run breakeven (SRBE) cost of production for the small farm is \$18.55, an increase of \$1.43 from the current \$17.12. For the medium size farm the SRBE cost of production is \$16.12, an increase of \$1.15 from the current \$14.97. For the large farm the SRBE cost of production is \$15.34, and increase of \$1.06 from the current \$14.28. He said the Commission could consider the June final indices if they so wished.

Julie-Marie Bickford, in her written testimony, encouraged the Commission to adopt the most recent calculations on the cost of producing milk in Maine as presented by Dr. Dalton. She reminded the Commission of the extraordinary costs facing dairy farmers due to energy and weather, and presented examples of a number of cost inputs such as low milk prices, higher electricity costs, higher cost of fertilizer and seeds as well as transportation costs.

John Palmer, a member of the fourth generation on the family's Highland Dairy farm in Cornish, told the Commission that they milk 200 jersey cows and have experienced a dramatic increase in their costs during the past year due to weather and energy related costs while milk prices have declined. He explained that the state's stabilization program was a "life saver" and he urged the Commission to adopt Dr. Dalton's updates to it.

Galen Larrabee testified that he supports Dr. Dalton's numbers. He went on to say that he has heard from a number of dairy producers in his area all of whom are suffering from the same problems that are facing his family's farm i.e. weather, low milk prices and higher costs related to energy. He reported that they are very discouraged.

Dale Cole, reiterated what had already been offered in testimony, and urged adoption of Dr. Dalton's numbers. He went to add that the dairy stabilization program had saved many Maine farms from going out of business. He also explained that Dr. Dalton's numbers did not take into consideration weather related problems such as costs of re-planting and poor forage quality.

The testifiers at public hearing all noted the importance of the dairy industry on Maine's economy and the impact of dairying in Maine on maintaining open space and providing recreational opportunities enjoyed by many Maine citizens.

Written testimony was received from Michael Suever during the written comment period. Mr. Suever stated his support for the tier-pricing program as enacted by the Maine legislature. He went on to strongly suggest that the Commission reevaluate the raw milk cost alignment from adjoining states and bring the "Adjustment for Maine Conditions" premium back down to its original level.

No testimony was received in opposition to proposed cost of production increase as presented by Dr. Dalton.

RESPONSE

The hearing on this rule was to receive public comment on the up-dates to the 2005 Cost of Production Study upon which this rule adopted. The comments can be summarized into the following categories:

Cost of producing milk in Maine has increased dramatically due to increases in energy costs. It is clear to the Commission that if dairy farmers in Maine cannot regain their costs they will continue to go out of business.

Wet weather conditions during the past few months have increased dairy producers costs.

The latest University of Maine cost figures as presented by Dr. Dalton show Maine's dairy producers receiving payment well below their actual cost of production.

The state's dairy stabilization program has been a tremendous help to Maine's dairy industry.

Comments stated the importance of farmland and open space to the State of Maine.

The Commission is strongly urged to lower the "Adjustment for Maine Conditions" premium (cost of production adjustment) back down to its original level.

The Commission reviewed the comments from the public hearing and information provided by Dr. Timothy Dalton at the public hearing. They also reviewed the written HP Hood testimony received during the 10-day comment period.

John Blake cautioned the Commission on using retail supermarket survey prices as a basis for making adjustments to the producer cost of production number. He said such action is not fair to processors.

Shelley Doak made a motion to repeal and replace Chapter 26 Producer margins using the most recent June final price indices as presented by Dr. Dalton. They are \$18.68 for the small farm tier level one, \$16.23 for the medium size farm tier level two and \$15.43 for the large farm size tier level three. Colon Durrell seconded.

Motion passed 4-0.

The changes do not consider increased costs of production due to weather conditions. The Commission does not believe it has the authority to make changes to the cost of production rule based on weather conditions.

This rule does not concern itself with the “Adjustment for Maine Conditions”. That is a topic that belongs in the Commission’s monthly minimum milk pricing hearing.

Meeting adjourned 10:25 a.m.

Stanley Millay, Executive Director, Maine Milk Commission.